

EXECUTIVE SUMMARY

Financial Overview

The Fiscal Year 2008 House Committee on Ways and Means recommendations for the Commonwealth's operating budget includes appropriations totaling \$26.7 billion. The Committee's recommendations for the approaching fiscal year were made within the context of a guarded outlook for the Commonwealth's economy in the near term. The cautious sentiment that guided the Committee's deliberations is the result of numerous influences, including the testimony of skilled economists, and a forecast for a noticeable deceleration in important tax collections that buoy such a significant share of the annual operating budget.

This sobering outlook for the local economy directed the Committee towards budgeting principles defined by balancing the delicate relationship between the need for vital programs and services and the need to continue to promote, protect and foster policies that do not put at risk the many continuous efforts to bolster the various industries that serve as the foundation of the Commonwealth's economy. This dynamic, coupled with the reality of only modest revenue growth in the upcoming year, sets us on a path for a challenging budget cycle. As will be observed in the pages to follow, the Committee's recommendations propose a mixed utilization of constraining existing spending bases, targeted new program initiatives, and measured access to reserve funds in order to put forth a budget document that is balanced as well as prudent.

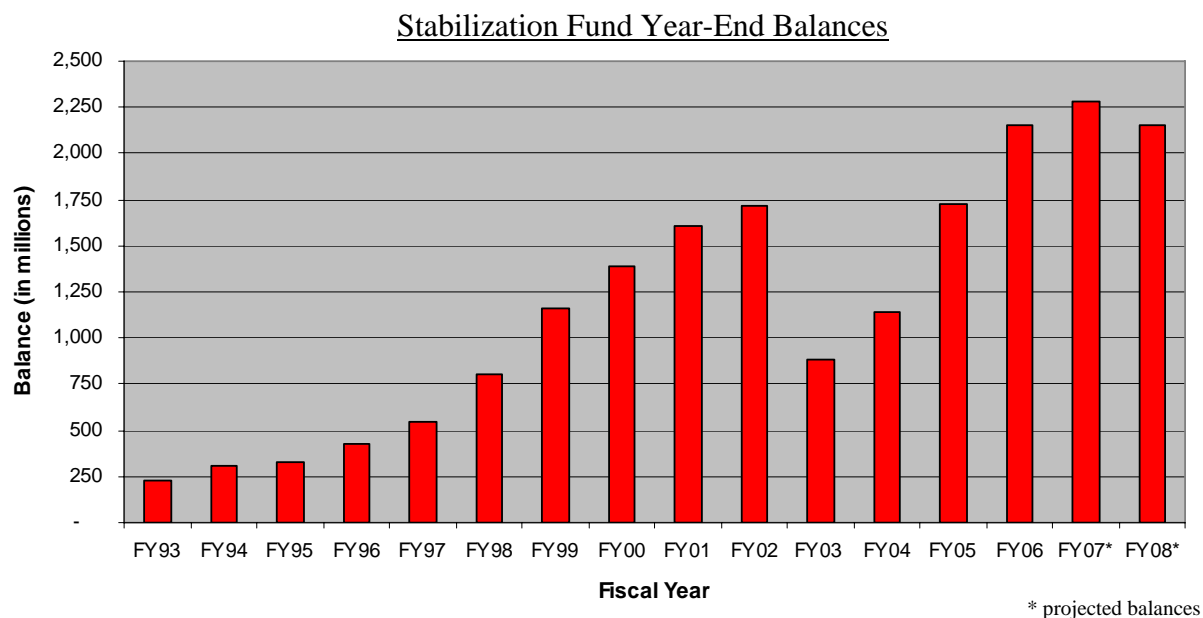
The table below illustrates the modest tax revenue growth that is projected to be available for the Fiscal Year 2008 operating budget. The figures below represent the outcome of the annual consensus tax revenue process. For Fiscal Year 2008, the House and Senate Committees on Ways and Means and the Executive Office for Administration and Finance reached an agreement on \$17.089B tax revenue, absent proposed changes to laws governing taxation, available for expenditure in Fiscal Year 2008.

	FY07 Projected	FY08 Consensus Revenue	Variance	% Change
Total Tax Estimate	19,300	19,879	579	3%
Dedicated Tax Revenue*	2,626	2,790	164	6.2%
Tax Revenue Available for Budget	16,674	17,089	415	2.5%

*Includes estimates for the Massachusetts School Building Authority, MBTA and Commonwealth's pension obligations.

In Fiscal Year 2008, the trend of upward spending pressure outpacing revenue growth continues to require difficult choices in order achieve compliance with balanced budget requirements. These recommendations resolve, in part, the Fiscal Year 2008 gulf between spending and recurring revenues through the measured use of reserve funds, including the Stabilization Fund. This step is

appropriate given that it was pursued not as the sole solution to balancing the budget, but rather as one of numerous tools that were required in order to enable the Commonwealth to meet Fiscal Year 2008 obligations. This budget continues ongoing efforts to maintain adequate levels of reserves as a means to ensure the Commonwealth is able to meet the future challenges that may be presented by the economy. Recent history provides evidence of the importance of reserves as resources to assist us through inevitable economic downturns. In recognition of this fact, these recommendations assume accessing the resources of both the Stabilization Fund and the Health Care Security Trust. These measures include a combination of access to fund balances, and temporary suspension of deposits that would ordinarily be directed into one of the reserve funds. The graph below illustrates the projected year-end status of the Stabilization Fund including the activity assumed within the Committee's Fiscal Year 2008 recommendations.



The recommendations on the following pages are provided with the intent of striking the appropriate balance between the pressure for allocation of scarce resources for statewide programs and services, and the maintenance of sound budgeting principles that will continue to keep the Commonwealth well-positioned as we progress through the ups and downs of future economic cycles.

Local Aid

The Fiscal Year 2007 budget contained significant changes within the Chapter 70 formula, which are reflected in the Committee's distribution of \$3.7B of aid in FY08. In calculating the foundation budget, the Committee continued to use the simplified re-categorization of foundation categories established last year, once again uncapped inflation to reflect the accurate level of inflation being experienced by local governments, made an additional increase of \$50 per pupil to the English language learners allotment, and provided an additional \$25 per pupil to the low income student allotment. The Committee funded the second year of the projected five year transition to more equitable local contributions using the aggregate wealth model to define equity, reduced excessive contribution requirements by the full scheduled 25%, and continued using each of the four aid

categories used last year. We first provide enough foundation aid to keep every district at foundation levels of spending, which has always been and still remains the heart of the formula. We continue using down payment-aid to ensure every district receives a portion of the target aid due upon full implementation of the aggregate wealth method, and we accelerated the schedule by giving 30% of the target aid amount as down payment rather than the scheduled 25%. Finally, we guarantee that every operating district receives at least \$50 per pupil over prior year aid. Through the changes made in FY07, the Legislature attempted to forge a path towards adequacy, fairness and discernable progress for all 351 cities and towns and 328 operating school districts.

In a time when the Commonwealth faces severe fiscal restraints, this Committee reaffirms our commitment to the cities and towns of the Commonwealth with a significant ongoing financial contribution.

- Provided an increase of \$220M in Chapter 70 school aid;
- Additional \$15M to communities in lottery distribution;
- Level funded additional assistance; and
- Increased PILOT payments by \$3M to ease the burden placed on municipalities with large tracts of state owned land which are removed from local taxation capacity.

Education

With careful consideration and strategic planning we were able to target funds to areas with significant need and those with the greatest potential for success. Through this budget we reaffirm our commitment to the twin goals of increased funding of schools and increased accountability for results that have been at the heart of education reform since its inception, but have also recognized the need to add a third component to education reform in the form of effective, data driven interventions which improve student achievement and educator quality. We have sought out programs for expansion that will benefit students, parents, teachers, superintendents & principals and school systems as a whole. We strive to increase student achievement by adding additional funding for full day kindergarten, extended learning time grants to provide our students with more time to learn the challenging standards set forth in the Massachusetts curriculum guidelines, and by increasing funding for after school programs by fifty percent to give students additional resources for learning and extracurricular activities after the school day is over.

For the teachers of the Commonwealth we strive to put systems in place to enhance educator quality through professional development and training opportunities. Our commitment to improving teacher quality is demonstrated by continuing to fund leadership training for principals, maintaining our funding for math and science content based professional development, and increasing the funding for professional development English Language Acquisition to provide teachers with the necessary skills to teach the ever growing population of English language learners who face a significant achievement gap as measured by the MCAS test. To better support the teachers that work to improve math and science skills within our schools, but do not yet have the necessary certification, this budget funds a scholarship at the Board of Higher Education for "out of field" teachers and teachers on waivers who are teaching math and science.

For the school systems as a whole we have increased funding for targeted assistance to help underperforming schools through continued turnaround partnerships backed by empirical data and financial support.

Overall, the Committee believes that through targeted funds to improve the education system coupled with increased Chapter 70 funding we are taking the necessary steps to provide our children with a first rate education that lives up to our expectations.

- Transferred an additional \$77M to the School Building Authority to continue the important reform of that vital program, and begin building new schools after the current moratorium ends;
- Increased the special education circuit breaker by \$11M;
- Provided \$31M for kindergarten expansion grants, an increase of \$4M;
- Provided full funding of non-resident regional school transportation;
- Provided a fifty percent funding increase for the English language acquisition to support the professional development of teachers working with English language learners;
- Provided a \$3M increase to the targeted assistance line item to provide greater services to schools that have been deemed underperforming or have been identified for improvement by the Department to assist them in closing the student achievement gap in their schools using scientifically valid, research based, and replicable strategies;
- Included \$1M to continue and expand the innovative pilot school model begun this November in order to more systematically engage the teachers and leadership of each school in their own turnaround efforts;
- Continued to fund the ongoing efforts by the Department of Education to improve our capacity to track student, school, and district improvements and base our reforms and interventions more on evidence and less on anecdote;
- Fully funds projected costs of the charter school reimbursement item in order to ensure that students whose learning styles require alternatives from district monopolies are able to obtain them, while still maintaining a fair funding formula for those students still in district schools;
- Provided \$9.5M to fund the next phase of the Extended Learning Time Grants, a \$3M increase; and
- Increased the After School line item by \$500K, to provide students in districts which do not need extended learning time a structured and productive environment for after the school day.

Higher Education

This Committee is aware of the vital role that higher education plays not only for our students, but for the businesses and economic growth of the Commonwealth as a whole. The Committee is unwavering in its belief that a distinguished system of higher education is crucial, however, financial constraints have put limitations on the contributions that can be made in Fiscal Year 2008. In an effort to promote consistency and equality, the Committee has once again utilized the higher education formula established by the Board to appropriately distribute funds.

We remain aware that even with a responsible portion of funds going to the campuses higher education remains unaffordable for many. To address this issue the Committee appropriated an additional four million dollars for scholarships to make higher education a more feasible option.

- Increase of \$23.5M to the state and community colleges for collective bargaining and decrease the funding gap;
- Increase of \$25.2M for the University of Massachusetts, to be distributed to all five campuses for collective bargaining and to decrease the funding gap; and
- Provided an additional \$4M to the scholarship line item to allow a greater number of students to receive additional aid as the cost of higher education continues to rise.

Early Education and Care

The best strategy to ensure success for our children throughout their academic careers is a strong educational foundation in the early years. This Committee, and the House or Representatives, has been at the forefront of this effort and continue that commitment with this budget. The Committee takes another step with this budget to ensure that, in time, every child is provided with a quality education before they begin kindergarten.

We have affirmed our commitment to assisting families with the arduous task of finding childcare that is both of high quality and affordable by making a significant increase in low income child care vouchers, Department of Transitional Assistance child care vouchers and child care for Department of Social Services participants in order to increase access for the neediest and most vulnerable children in the Commonwealth.

This Committee acknowledges the critical role of quality early education by maintaining our support for accreditation efforts, professional development, and mental health consultations for children in our budget. We further acknowledge the role that is played in this effort by those that care for our youngest citizens and have committed additional funds to make their compensation more reflective of the incredible responsibility they hold. We also continue our efforts to support parents in their important role with continued funding of the parenting line items for Mass Family Networks, Parent Child Home Program, Reach Out and Read and Healthy Families.

Providing every family with affordable child care and quality early education is an enormous task. However, with the combined efforts of this Committee, the Legislature and the Department of Early Education and Care, each year we make strides towards a collective system that will provide the children of Massachusetts the necessary tools to become contributing members of this Commonwealth. This Committee hopes that by providing funds for a comprehensive approach we will be able to provide a strong base for our children to build their educational futures.

- Provided \$20.3M for the Massachusetts universal Pre-Kindergarten program;
- Maintained level funding for Professional Development and Mental Health Consultation to allow services to continue at the current level;
- Provided an additional \$10.4M for supportive child care to ensure that no children involved with the Department of Social Services will be without child care services;

- Provided \$169.8M for child care vouchers for those being served by the Department of Transitional Assistance;
- Provided \$193.4M for low income child care vouchers. These funds will allow for a decrease in the extended waiting list;
- Fully annualized the \$12.5M of rate increases provided by the FY07 Child Care rate reserve; and
- Provided \$4M for the child care rate reserve to help increase the salary for the valued individuals that provide child care services through out the state.

Health and Human Services

Making up nearly half of the expenditures within the budget and overseeing 17 agencies, the Executive Office of Health and Human Services (EHS) is charged with providing various supports and services for the Commonwealth's most vulnerable and neediest population.

Office of Medicaid

As the agency that oversees the MassHealth program, the Office of Medicaid provides needed healthcare services to roughly 1 million people in Massachusetts. Overall, the Committee proposes \$8.1B to fund a projected 3% increase in caseload and 8% growth in total costs. The Committee's budget accomplishes two objectives: First, the budget funds \$1.8B to fully implement the historic Healthcare Reform Law enacted last year. Second, it maintains funding for quality healthcare services to all MassHealth clients.

- Provided \$1.8B to fund key elements of Healthcare Reform. This includes funding for restored benefits, population expansions, and increased rates for providers;
- Provided \$140M for the MassHealth Family Assistance program including funding for increased enrollment under the new eligibility requirements;
- Provided \$262M for MassHealth Essential including funding for increased enrollment up to the new enrollment cap of 60,000;
- Provided \$41M to Insurance Partnership and Premium Assistance programs to enroll uninsured individuals up to a higher income level;
- Provided \$16M for the MassHealth HIV program including funding for the increased enrollment cap; and
- Provided \$1M for expansion of MassHealth Wellness program.

Elder Affairs

The House Ways and Means Committee budget for Elder Affairs ensures the Commonwealth's seniors continue to receive the valuable services they deserve. The budget funds programs providing senior citizens with the option of receiving care in their community or homes in such settings as supportive housing units. The budget also includes funding to ensure Prescription Advantage is able to provide financial assistance to seniors with their prescription drugs. The Committee also funds mental health programs for seniors and services for family care givers.

- Provided \$63M to ensure Prescription Advantage is able to provide financial assistance to the Commonwealth's senior citizens;
- Provided \$4.2M to fund existing units and support 8 additional supportive housing units;
- Provided \$350K for mental health services to the elderly ;

- Provided \$500K for services to assist family caregivers as they provide care for seniors living at home;
- Provided \$5.6M for nine million meals provided to needy seniors; and
- Provided \$1M for Informational Technology systems improving the ability of the Executive Office of Elder Affairs to efficiently provide elder related services.

Department of Mental Health (DMH)

The Department of Mental Health provides residential, clinical, vocational and rehabilitation services to over 10,000 adults and 5,000 children that suffer from chronic mental illness. The Committee upholds the Department's commitment to providing supports to these individuals that will assist them in gaining and retaining employment, housing and independent living skills by appropriating \$18.8M over FY07 for administrative costs and the provision of services to clients in FY08.

- Increased funding for child and adolescent mental health services by \$1M for FY08;
- Provided an additional \$8.9M to continue the provision of community services; and
- Increased state psychiatric hospitals and community mental health centers by \$3M over FY07 to maintain their services to clients of the department.

Department of Mental Retardation (DMR)

The Department of Mental Retardation provides services to over 32,000 consumers annually. These services include residential placements, case management, transportation, day and work programs, respite grants for consumers residing with their families, and intensive care services. The Committee's budget recommendation for DMR consolidates the agency's administrative accounts to centralize coordination of services to consumers, provides additional funding for the individuals comprising the T22 class who will be aging into adult services, and fully funds respite grants to families which will enable them to care for consumers at home. DMR received an additional \$54M over FY07 to provide maintenance for all services in FY08.

- Provided \$6.5M for the Turning 22 class of individuals that will be aging into department services in FY08;
- Maintained \$2M in funding for the residential rate initiative that is intended to provide a set rate for consumers of the Department residing in vendor operated residential settings. These funds were used in FY07 to supplement the contracts of vendors that most required inflationary adjustments;
- Maintained FY07 level of funding for the Autism Division, which will provide the required state match for services under the autism waiver;
- Increased funding for community based adult day and work programs by \$3.4M over FY07; and
- Maintained funding for family support and respite services, which will ensure that families have continued access to grants that will enable them to care for consumers at home instead of residential placements.

Department of Public Health (DPH)

The programs and services under the control of the Department of Public Health cover a wide spectrum, nearly everything from outreach efforts for communicable diseases to the operation of the four public health hospitals.

- Provided an increase of \$3.25M for the Suicide Prevention program;
- Provided an increase of \$153K for the Breast Cancer Detection and Prevention program;
- Provided an increase of over \$1M for the Western Mass Hospital retained revenue account;
- Provided an increase of over \$4M for the consolidated state hospitals operating account; and
- Increased the cap on the Early Intervention retained revenue account by \$1M.

Department of Social Services (DSS)

FY08 will mark the second year of the agency's implementation of the Family Networks System. The shifting of programmatic focus is intended to maintain existing family structures and permanency for these children as they continue into adulthood. The Committee's budget recommendation includes transferability language that affords the agency flexibility to correct internal deficiencies rather than disrupting services.

- The Department of Social Services received \$795M for the provision of protective services, family supports, foster and group care, adoption and guardianship, and domestic violence services in FY08; and
- In recognition of the unforeseen costs resulting from the implementation of the Family Networks System, the Committee's recommendation provides DSS with the flexibility to transfer funds throughout the Department.

Department of Transitional Assistance (DTA)

The efforts of the Department of Transitional Assistance in addressing the pressing needs of some of the Commonwealth's most vulnerable populations continues into FY08, with some programs undergoing necessary changes, most notably TAFDC. While the caseload for this program continues to decrease, the Department continues to deal with the increasing problem of family homelessness.

- Provided an increase of \$700K for the operation of the Department; and
- Provided an increase of more than \$8.5M to fund caseload growth in Emergency Assistance Family Shelters services.

Judiciary

The Committee recommends that \$751M be appropriated to the Commonwealth's Supreme Judicial Court, Appeals Court, Trial Court, Committee for Public Counsel Services, and other smaller judicial agencies. To provide the Judiciary with the necessary tools to manage their resources, the Committee recommended transferability across the seven court departments. Additionally, the Chief Justice for Administration and Management (CJAM) has the availability of a \$19M reserve to allocate throughout the trial court department, at his discretion, to address administrative necessities.

- Provided transferability across the seven court departments;
- Recommended \$59M for CJAM to allocate throughout the trial court department as needed in FY08, including \$40M in retained revenue.
- Provided full funding for CPCS district office program to hire staff and open district offices required by Ch. 54; and

- Fully funded Alternative and Permanency Mediation Services, which helps alleviate case backlogs in our busy courts and provides citizens with the opportunity to avoid time intensive and costly trials in favor of specialized mediation.

Public Safety

The Committee's recommendation provides for sufficient funding of all facets of public safety. The Committee fully funds all agencies responsible for crime prevention, investigation, enforcement and prosecution. This budget provides the necessary resources for the state to respond effectively to public safety and homeland security hazards as well as other disasters that threaten the stability of the Commonwealth. In response to the diversity of public safety challenges the state faces, this budget supports a variety of functions, including criminal information sharing, directed police patrols in high crime areas, and reentry efforts at our houses of correction.

- Continued to support inmate re-entry programs in order to reduce recidivism rates at the Department of Correction;
- Continued to provide funding for dedicated patrols by the Department of State Police in high crime areas;
- Provided \$95M in direct appropriations for the operations of our district attorneys' offices;
- Provided \$21.3M in funding for the state's successful community policing program to assist law enforcement efforts;
- Continued funding for the Alcoholic Beverage Control Commission and sting grants;
- Provided nearly \$17.63M in funding for continued support of transitional beds, full participation in the Interstate Compact, maintenance of the SPIRIT database, and the continuation of parole board services, including victim and witness assistance;
- Provided \$447M for the operations of the 14 sheriff's departments in Massachusetts;
- Continued funding for the Municipal Police Training Committee for the education and training of new and veteran law enforcement officers; and
- Continued funding for the Witness Protection program.

Housing

This Committee acknowledges that the need for housing in the Commonwealth affects people from all walks of life. The recommendations of the Committee attempt to address the need of all individuals for which the basic need of housing remains a challenge. The Committee seeks to address the various elements surrounding homelessness by supporting programs such as the Rental Assistance for Families in Transition (RAFT), which provides people with the necessary support to prevent homelessness, and the Massachusetts Rental Voucher Program, which seeks to help those that are already without a home. This Committee has also increased funding for the Department of Mental Health Subsidy program. Through this increase and the continued support of the three other disability housing programs, we affirm our commitment to helping the disabled community manage the arduous task of locating and maintaining housing.

- Provided \$4.1M in additional funding for Local Housing Subsidies to provide safe and affordable housing for low income and homeless families;

- Provided an additional \$357K for the Department of Housing and Community Development administrative line item to provide the Department with the necessary technology to provide service in a more effective and efficient manner;
- Provided \$5M for the continuation of the Soft Second Loan Program, which makes home ownership a possibility for those that would not otherwise be able to achieve this goal;
- Provided \$2.5M in additional funding for the Massachusetts Rental Voucher Program to continue to pay for existing vouchers to eligible families and individuals;
- Provided \$500K to sustain the funding for the Alternative Voucher Housing program to provide additional vouchers to non-elderly persons with disabilities;
- Maintained funding for the Individual Development Account (IDA) program, which pools state, federal and private funds to match earned income deposited into a savings account of qualified participants; and
- Increased the Department of Mental Health rental subsidy program by \$500K to add additional rental units for this vulnerable population.

Economic Development

In FY07, the Legislature created several state agencies to foster economic growth including: Business Connect, the Permitting Office, and the Office of the Wireless Broadband Director. In producing budget recommendations during the current fiscal climate difficult decisions are unavoidable, however, the Committee continues to recognize the valuable role these agencies play in attracting and retaining businesses, as well as creating jobs in the Commonwealth. The Committee's proposal aims to strengthen the Commonwealth's economy by providing hands-on training and assistance to small businesses, conducting grants programs, and making targeted investments to retain companies and jobs in growing industries.

- Continued funding for the Massachusetts Office of Travel and Tourism, State Office of Minority and Women Business Assistance, and Commonwealth Zoological Corporation.
- Increased funding for the Department of Workforce Development administrative account by \$1.2M. This will provide funding for the consolidation of the Departments of Labor and Workforce Development;
- Provided funding for the Division of Unemployment Assistance to collect the 'fair-share contribution' from employers as part of the Universal Health Care Bill;
- Annualized additional funding of \$1.4M for "sales team" employees in the Massachusetts Office of Business Development; and
- Fully funded the Massachusetts Permitting Office and the Office of the Wireless Broadband Director. Both were recently created by the Legislature and will work to bring technology and efficiencies to the Commonwealth's cities and towns.

Environment

The Committee is dedicated to the protection of the environment by providing sufficient funding to guarantee that the parks, beaches and all of the natural resources of the Commonwealth are adequately protected.

- Increased funding by \$1.3M for the new parks that are scheduled to open in FY08 on land that was formerly the Central Artery and for Spectacle Island, which is part of the Boston Harbor Islands;
- Increased Wildlife Habitat Land Purchase line item funding by \$200K to allow the Department of Fish and Game to purchase land that is used as wildlife management areas. After the land is purchased it is owned by the Commonwealth and can not be developed. This appropriation helps to control sprawl and provide a habitat for wildlife;
- Fully funded the beaches under the control of the Department of Conservation and Recreation;
- Provided full maintenance funding for the Office of Dam Safety; and
- Fully funded the Department of Environmental Protection to ensure that environmental regulations are enforced.

Executive Office of Energy Affairs

The newly formed Executive Office of Energy Affairs will focus on promoting alternative forms of energy and ensuring the availability of adequate and affordable amounts of energy for the residents of the Commonwealth. Within the Office will be housed the Department of Broadband, Cable Television and Telecommunications, the Department of Utility Regulation and Oversight, Alternative and Energy Renewable Energy Department, Office of Ratepayer Advocacy and the Division of Municipal Services. Funding for this agency is provided by the regulated industries.

- This new agency will focus on generating economic and environmental benefits to ratepayers through clean energy initiatives that take advantage of clean technologies and promote affordable clean energy; and
- The Division of Municipal Services will administer the Energy Efficiency and Green Communities Program that will provide financial assistance in the form of grants and loans from the Massachusetts Energy Efficiency Trust Fund and the Massachusetts Renewable Energy Trust Fund to municipalities to finance the costs of energy efficiency improvements and renewable energy development within the municipality.